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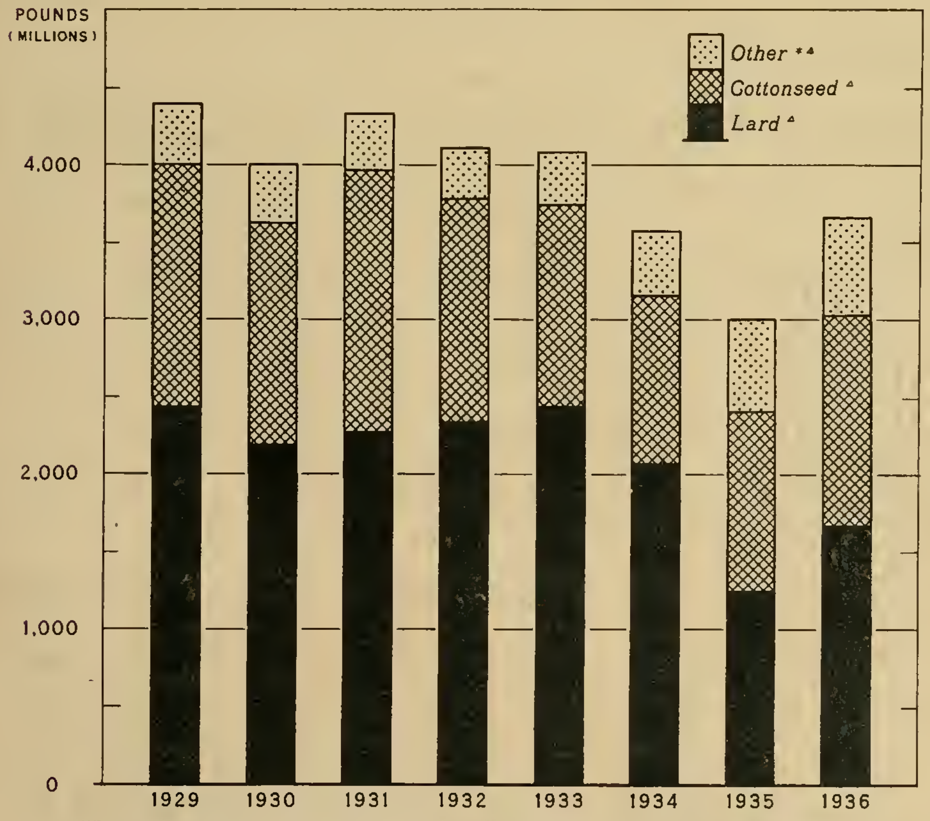
THE FATS AND OILS SITUATION

This month's issue is a resume of the regular annual outlook reports on Flaxseed, Cottonseed, Soybeans, and Peanuts, issued each fall by the Bureau of Agricultural Economics. Included is a brief review of developments during the past month. Additional data bring up to date the tables regularly contained in this report.

DOMESTIC PRODUCTION OF FOOD FATS FROM THE FARM
(EXCLUDING BUTTERFAT)



▵ THE ANIMAL FAT PRODUCTION IS FOR CALENDAR YEAR COMBINED WITH VEGETABLE OIL CRUSHED DURING SEASON FROM CROP GROWN IN THE CALENDAR YEAR

* "OTHER" INCLUDES SOYBEAN, PEANUT, AND CORN OILS, EDIBLE TALLOW, OLEO OIL, AND OLEOSTEARINE

U. S. DEPARTMENT OF AGRICULTURE NEG. 32817 BUREAU OF AGRICULTURAL ECONOMICS

Table 1.- Domestic production and price of food fats from the farm (excluding butterfat), 1929-36

Commodity	Year beginning	1929	1930	1931	1932	1933	1934	1935	1936
		Domestic production							
		Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.
Lard	Jan.	2,435	2,192	2,271	2,342	2,441	2,063	1,250	1,661
Cottonseed oil	Aug.	1,572	1,442	1,694	1,446	1,303	1,109	1,164	1,364
Other -									
Soybean oil	Oct.	13	35	40	29	26	78	209	184
Corn oil	"	125	111	108	123	123	97	127	123
Peanut oil	"	27	16	12	15	10	56	64	78
Tallow, edible	Jan.	44	42	70	53	58	78	74	98
Oleo oil	"	123	116	94	75	89	79	75	98
Oleostearine	"	60	56	47	36	39	34	42	49
Total "other"		392	375	371	330	345	421	590	630
Grand total		4,400	4,009	4,336	4,117	4,088	3,592	3,004	3,655

Price per pound

Commodity	Year beginning	1929	1930	1931	1932	1933	1934	1935	1936
		Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
Lard, prime steam, Chicago	Jan.	11.5	10.4	7.7	4.6	5.3	7.7	13.3	11.3
Cottonseed oil, p.s.y., N.Y.	Aug.	8.7	7.4	4.1	4.3	4.9	9.6	9.8	10.4
Soybean oil, crude, mills	Oct.	9.1	6.3	3.4	4.6	5.9	7.8	7.4	8.5
Corn oil, crude, N. Y.	"	9.9	8.4	5.2	6.0	5.9	9.8	9.1	9.1
Peanut oil, crude f.o.b. mills	"	7.6	6.8	3.9	4.1	4.8	9.3	9.0	9.2
Tallow, edible, Chicago	Jan.	8.9	6.8	4.6	3.5	3.7	5.0	8.6	7.8
Oleo oil, No. 1, N. Y.	"	11.2	11.0	7.2	6.3	6.4	7.9	12.9	11.2
Oleostearine, bbls., N.Y.	"	10.5	8.9	7.6	5.2	5.0	6.9	10.8	9.0

Compiled from tables published in U. S. Department of Agriculture Statistical Bulletin No. 59, and FOS-7.

THE OUTLOOK FOR FATS AND OILS IN 1938

A production of the major domestic vegetable oils (cottonseed, soybean, corn, and peanut) that reasonably may be expected to total almost half a billion pounds more than was produced in 1936-37 is in prospect from the domestic crops of 1937. The larger production is based on a cottonseed supply about 47 percent larger than in 1936-37 and prospective soybean oil production likely to exceed production from the 1936 crop by 20 percent or more. The volume of vegetable food oils produced during the 1936-37 crushing season from the crops of 1936 amounted to about 200 million pounds more than production from 1935 crops.

Stocks of cottonseed, corn, soybean, and peanut oils as of September 30, 1937, total a little over 100 million pounds more than on the corresponding date last year.

Prices of edible vegetable oils in general are now lower than last year because of the increased production and heavier stocks. October prices of cottonseed, soybean, corn, and peanut oils are all slightly lower than they were in September and definitely lower than the average for the year ending in September. Prices of cottonseed oil in August and September 1937, were about 26 percent below the average for 1936-37, but 11 percent above the 5-year average.

Stocks and prospective supplies of lard are still relatively low, and production of animal fats for the next few months is expected to be somewhat below production a year ago.

Wholesale prices of lard at Chicago, in August, September and October averaged about the same as during the 12 months ended July 1937, and 26 percent higher than the 5-year average.

Table 2.- Price per pound of selected fats and oils, Sept. - Oct., 1936 and 1937

Fat or oil	1936		1937	
	Sept.	Oct.	Sept.	Oct.
	Cents	Cents	Cents	Cents
Domestic prices -				
Butter, 92°, N. Y.	35.0	32.9	35.0	36.0
Oleomargarine, domestic vegetable, Chicago	15.3	15.8	15.2	15.0
Lard, prime steam, Chicago	11.7	11.5	11.0	10.0
Lard, refined, Chicago	12.5	12.4	13.0	12.0
Lard compounds, Chicago	12.8	12.5	11.0	10.2
Coconut oil, edible, N. Y.	7.9	8.7	6.6	7.0
Cottonseed oil, crude, f.o.b. S.E. mills	8.9	8.6	6.2n	6.1n
Cottonseed oil, p.s.y., N. Y.	10.2	9.9	7.4	
Soybean oil, refined, N. Y.	10.2	10.1	10.0	9.0
Peanut oil, domestic, refined, N. Y.	12.5n	12.5n	11.0n	10.5n
Rape oil, refined, N. Y.	8.9	9.4	12.7	12.7
Oleo oil, No. 1, N.Y.	11.1	11.5	13.0	13.0
Oleostearine, barrels, N. Y.	10.2	9.8	8.9	9.4
Corn oil, refined, N. Y.	12.8	12.6	10.3	10.1
Olive oil, edible, N. Y.	29.2n	25.1n	32.0n	32.0n
Sunflower oil, refined, N. Y.	11.1n	11.2n	-	-
Teaseed oil, crude, N. Y.	13.4	12.2	9.4	9.4
Coconut oil, crude, Pacific Coast	5.5	6.2	4.2n	4.4
Tallow, inedible, Chicago	6.7	6.5	6.6	5.7
Grease, house, N.Y.	6.1	6.5	6.8	5.7
Palm oil, crude, N. Y.	5.0	4.9	4.8	4.5n
Olive oil foots, barrels, N. Y.	9.3	9.3	10.3n	10.6
Palm-kernel oil, denatured, N. Y.	5.0n	5.4	4.8n	5.0n
Babassu oil, tanks, N. Y. 1/	8.2	9.0	7.6	7.6
Sardine oil, tanks, Pacific Coast	4.4n	4.6	4.8n	4.7n
Linseed oil, raw, Minneapolis	9.9	9.7	10.4	10.4
Tung oil, drums, Atlantic Coast	14.4	13.5	21.2n	21.8n
Perilla oil, drums, N. Y.	9.9	9.8	13.6n	13.9
Soybean oil, crude, f.o.b. mills	8.2	8.0	6.2	5.8
Menhaden oil, crude, f.o.b. Balto.	3.6n	3.7	4.3n	4.7n
Hempseed oil, crude, N. Y.	9.6	9.6	-	-
Foreign prices - 2/				
Cotton oil, crude, naked, Hull	6.5	5.7	5.0	3/4.9
Copra, Resecada, Philippines	2.8	3.2	1.9	
Palm-kernel oil, crude, Hull	5.6	5.5	5.0	3/5.3
Whale oil, crude, No. 1, Rotterdam	4.2	4.2	4.2	3/4.2
Tallow, beef, fair-fine, London	5.4	5.6	5.4	3/5.3
Linseed oil, naked, Hull	5.8	5.4	6.7	3/6.8

1/ Beginning February 1937, prices are futures. 2/ Converted to U. S. cents per pound at current monthly rates of exchange. 3/ Preliminary, average for 3 weeks.

Table 3.- Domestic stocks of food fats from the farm (excluding butterfat), as of September 30, 1934-37

Commodity	1934	1935	1936	1937
	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.
Lard, including neutral ..	128	45	102	73
Cottonseed oil, crude 1/ .	559	382	339	443
Other -				
Soybean oil, crude 1/ ..	15	14	39	36
Corn oil, crude 1/......	28	22	23	18
Peanut oil, crude 1/....	2	33	17	25
Tallow, edible	5	10	11	7
Oleo oil	3	5	6	3
Oleostearine	2	3	5	3
Total "other"	55	87	101	92
Grand total	742	514	542	608

1/ Stocks of crude oil plus refined oil converted to terms of crude.

Compiled from Animal and Vegetable Fats and Oils, Bureau of the Census, except lard, which is from reports made by cold-storage establishments to the Bureau of Agricultural Economics.

THE COTTONSEED OUTLOOK FOR 1938

(Revised as of the November 8 Crop Report)

The supply of cottonseed in the United States in 1937-38 is now expected to be about 8,100,000 tons, which is about 47 percent larger than in 1936-37, 23 percent larger than the average for the 5 years ended 1932-33, and the largest in history. With stocks of cottonseed and cottonseed products usually small in comparison with production, the supplies of the various cottonseed products show about the same comparisons as the supplies of cottonseed. On the whole, the supplies of those fats and oils that are most directly competitive with cottonseed oil apparently will be about the same as or slightly smaller than for the season 1936-37 and considerably smaller than the 5-year average. On the other hand, the supply of feedstuffs which materially affects the prices of cottonseed hulls and meal will be much larger than last season but smaller than the 5-year average. The large increase over 1936-37 in the supplies of cottonseed and cottonseed products and in feedstuffs largely accounts for the marked decline in the prices of cottonseed, cottonseed products, and many of the important competitive products during the last few months. With supplies of cottonseed products materially larger than in 1936-37 and with business activity expected to be somewhat lower, prices of cottonseed products and cottonseed declined greatly during the latter part of 1936-37 and the early part of the current season. In August to October the prices of cottonseed and most cottonseed products averaged 30 to 40 percent lower than the 1936-37 average.

Table 4.- Supply and price of cottonseed and specified fats and oils, United States, average 1928-29 to 1932-33, annual 1934-35 to 1937-38

Season beginning Aug. 1	Cottonseed		Cottonseed oil, crude 1/		Lard		Corn, soybean, peanut, coconut, and palm oils		
	Supply 2/	Weighted average farm price per ton	Supply 2/	Prime summer yellow, price per pound	Supply 3/	Refined Chicago price per 100 pounds	Production plus net imports	Stocks, June 30 beginning of season	Available supply
	Mil. ton	Dol.	Mil. lb.	Cents	Mil. lb.	Dol.	Mil. lb.	Mil. lb.	Mil. lb.
5-year av. 1928-29 to 1932-33	6.6	21.50	1,973.5	6.92	1,771.3	10.08	1,036.4	276.8	1,313.2
1934-35	4.5	34.71	1,849.2	9.60	1,070.9	12.53	1,005.4	333.6	1,339.0
1935-36	4.8	31.19	1,669.6	9.82	890.1	13.65	1,406.7	324.4	1,731.1
1936-37	5.5	33.27	1,726.4	10.42	995.5	12.94	1,416.3	362.5	1,779.3
1937-38 4/	8.1	21.38	2,341.9	7.37	957.0	12.68		353.9	
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
1937-38 as percentage of average	122.7	99.4	118.7	106.5	54.0	125.8		127.9	

1/ Stocks of crude oil plus refined reduced to a crude basis.
2/ Stocks on August 1 plus domestic production.
3/ Stocks on August 1 plus production under Federal inspection.
4/ Preliminary estimates of supply. Prices are averages for August, September and October.

Cottonseed Oil

The indicated supply of cottonseed oil, the principal product of cottonseed (which on the average represents about 60 percent of the value of cottonseed products) for the season 1937-38 is the largest on record, about 36 percent larger than in 1936-37, and 19 percent larger than the 5-year average. Not only was there a marked increase in the production of cottonseed oil but stocks on hand at the beginning of the season were larger than a year earlier, and larger than the 5-year average. Prices of cottonseed oil in August, September, and October 1937, were about 29 percent below the average for 1936-37, but 7 percent above the 5-year average. In general, imports and exports of cottonseed oil have been small in comparison with domestic utilization, but in the last two seasons domestic production of cottonseed oil was supplemented by net imports, whereas in earlier seasons exports were of considerable volume and imports were negligible. It seems probable that again in 1937-38 considerable quantities of cottonseed oil will be exported despite the larger production of cotton, cottonseed, and cottonseed products in foreign countries.

Cottonseed oil is used principally in the production of vegetable shortening and compounds in which its chief competitors are other vegetable oils, lard, edible tallows, and fish oils. The commercial supply of lard in the 1937-38 season is now tentatively estimated to be slightly smaller than the comparatively small supply of the previous season and only a little over half as large as the 5-year (1928-32) average. In view of the marked reduction in foreign demand for and exports of lard, the very small domestic supply does not mean a proportional decrease in domestic competition of lard with cottonseed oil. During the 5 years ended 1932-33, exports of lard averaged about 653,000,000 pounds or 27 percent of the domestic supply, whereas in 1936-37 they amounted to about 100,000,000 or one-tenth of the supply. Wholesale prices of lard at Chicago in August, September, and October averaged about the same as during the 12 months ended July 1937, and 26 percent higher than the 5-year average.

THE FLAX OUTLOOK FOR 1938

(Released November 4)

Summary

Some increase in world flaxseed supplies is probable in 1938-39 over the short supplies of 1937-38, with an increase in production partially offset by a small carry-over of old seed on August 1, 1938. About the same world demand for flaxseed and flaxseed products is in prospect in 1938 as in 1937.

Since the low point of 1932 the utilization of drying oils in the United States has increased steadily, but up to the end of 1936 the percentage that linseed oil contributed to the total use dropped from 75 to 61 percent. Since the beginning of 1937 both the percentage and the actual amount of linseed oil consumed has increased rapidly. Changes in price relationships in 1937 between linseed oil and other drying oils will, while maintained, tend to place linseed oil in a more favorable position relative to other drying oils.

In the flaxseed-producing areas the outlook is for higher average gross returns per acre from flaxseed than from wheat if about average yields are obtained in 1938.

As indicated in the wheat outlook, world wheat production in 1938 may be in excess of prospective world requirements, if about average yields are obtained on the present large world wheat acreage, and prices of wheat and returns to wheat growers in the United States may be expected to be materially lower than during the current marketing season. Returns per acre from flax during the current year have been higher than from wheat, despite relatively high wheat prices.

Flax acreage might be increased as much as 30 percent over the 1935 and 1936 seedings without danger of producing more seed than would be needed to supply domestic requirements.

Flaxseed Demand Remains at High Levels

World demand during the first part of the 1937-38 marketing season has been slightly stronger than during the first months of the 1936-37 season.

There may be some lowering of present levels of demand during the next few months.

The total volume of building activity in the four principal linseed-oil consuming countries - the United States, United Kingdom, Germany and France - averaged about 2 percent higher in the first 7 months of 1937 than in the same months in 1936. The volume of construction in the United States during the first 8 months of 1937 was about 3 percent over that of a year earlier but the total volume of construction in 1938 is expected to be only slightly greater than in 1937. In the three European countries the peak of building activity appears to have been reached and a smaller volume of construction is in prospect in 1938 than in 1937. The reduction in the use of linseed oil in Europe as a result of a slackening in building activity may be partially offset so far as imports of flaxseed are concerned by an increased demand for linseed cake and meal, as a result of smaller feed grain supplies. The corn, barley, and oats crops combined are about 10 percent smaller than last year's moderate harvests.

Utilization of flaxseed in European countries has held at a relatively high level. Imports into the principal deficit areas of Continental Europe and into the United Kingdom have been above those of last season while trade advices indicate maintenance of a high rate of crusher activity and a steady movement of flaxseed products into consuming channels. Disappearance of oil and meal have kept pace with increased production with no appreciable accumulation in stocks.

World shipments of flaxseed, July 1936 through June 1937, totaled about 88,648,000 bushels compared with 69,956,000 bushels during the preceding season. Shipments during the first 3 months of the current season totaled approximately 17,500,000 bushels against 19,000,000 bushels in the corresponding period last year.

United States supplies of flaxseed for the 1937-38 season are now placed at 10,979,000 bushels compared with 9,239,000 last year. Allowing for usual seed requirements, about 9,879,000 bushels would remain for commercial use compared with 8,469,000 a year earlier. Carry-over stocks July 1 were only slightly different from those of a year earlier and totaled 3,339,000 bushels as against 3,331,000 for the preceding year.

The crop was moderately larger than the very small harvest of a year ago and amounted to 7,634,000 bushels. This is a gain of about 29 percent over a year earlier but is about 48 percent below the 1928-32 average production of 15,996,000 bushels. The relatively small harvest in the United States was due both to greatly reduced acreages sown to flax, especially in Minnesota and the Dakotas, and to the fact that yields in these major producing States were lowered by extreme heat and inadequate rainfall during August. Minnesota, normally the largest flax-growing State, produced only about two-thirds of the 5-year average; North Dakota produced a little more than one-third, and South Dakota about one-eighth of the 5-year average crop.

Domestic disappearance of flaxseed in the United States during the 1936-37 season totaled 31,110,000 bushels as against 27,888,000 bushels a year earlier. Crushings increased to the largest quantity since 1929-30 with a total of 30,340,000 bushels against 26,544,000 a year earlier and 22,370,000 bushels the 5-year average for 1930-31 through 1934-35. During recent years annual seed requirements have been around a million bushels. During the last 10 years disappearance of flaxseed has varied materially with a range of from 18,360,000 bushels in 1932-33 to the peak of 45,000,000 in 1927-28. Since 1933 the trend in utulization has been upward with disappearance during last season above that of any other recent year.

The average acreage seeded to flax for the 5 years 1931-35 was 2,441 thousand acres, which, with an average yield of 5.7 bushels per harvested acre, produced an average of 10,070 thousand bushels. Average crushings, years beginning July 1931-35, amounted to 22,268 thousand bushels. The linseed-oil equivalent of the average domestic production of flaxseed for these 5 years, minus planting requirements, amounted to almost 41 percent of the linseed oil consumed in the United States.

In the year 1935, flax seedings amounted to 2,392 thousand acres of which 2,096 thousand acres were harvested, with an average yield of 6.9 bushels per harvested acre. The production of 14-1/2 million bushels supplied seeding requirements for the following year and, in terms of oil equivalent of the flaxseed, 52 percent of the domestic linseed-oil requirements for the year beginning July 1935. A 30 percent increase above the seeded acreage of 1935, with the same percentage of harvested acreage as in 1935 and with an average yield of 9.5 bushels per acre (the highest recorded average yield since 1920) would produce about 26 million bushels or about 5 million bushels less than total crushings of domestic and imported seed for the year beginning July 1936, plus seed planted for the 1937 crop.

United States Consumption of Drying Oils Shows Steady Increase

Linseed-oil production in the United States from domestic and imported seed for the season 1936-37 was larger than for any other season since 1929-30. Stocks of linseed oil June 30, 1937 amounted to 142.4 million pounds compared with 140.7 million pounds on the same date in 1936. These stocks compare with an average end-of-the-season stocksof 102.9 million pounds for the crop seasons 1930-31 to 1934-35, and 141.2 million pounds average at the end of the seasons 1925-26 to 1929-30.

Apparent disappearance of linseed oil during the first 6 months of 1937 amounted to 338 million pounds compared with 238 million pounds during the first 6 months of 1936.

Consumption of oils by the drying industries in the United States has increased steadily from the low point of 475 million pounds in the calendar year 1932 to 790 million pounds in 1936, but during this period the percentage of linseed oil contributed to the total dropped from 75 to 61 percent. The decrease in the percentage of linseed oil has been balanced by increases of perilla, fish, and miscellaneous minor oils such as hempseed, castor, and oiticica oils. Changes, January to June 1937, in price relationships between linseed oil and other drying oils will, while maintained, tend on the whole to place linseed oil in a more favorable position relative to these other oils.

Rough estimates of utilization of oils in the first half of 1937 by the drying industries, indicate a total of about 469 million pounds compared with about 395 million pounds in the same period in 1936.

THE SOYBEAN OUTLOOK FOR 1938
(Revised as of November 10 Crop Report)

Summary

Largely because of a 32-percent increase in soybean production and a marked increase in the production of cottonseed, the Bureau of Agricultural Economics points out in its annual outlook that the unusually favorable market for soybeans last season is not likely to continue in 1937-38; and prices to growers are expected to average considerably below the 1936-37 average of $1.27 per bushel. With soybean production somewhat under the record production in 1935, however, prices will probably be maintained a little above those of 1935-36, when the average was 79 cents per bushel.

The price outlook for soybeans is dependent on the outlook for soybean oil and meal. Since increased production of these products will be accompanied by larger supplies of competing products, especially cottonseed oil and meal, prices both of oil and meal are expected to be lower than last season. The decline will probably be more marked in the case of soybean meal, since the continuance of relatively low lard supplies is expected to support prices of edible oils.

The outlook in the last part of 1938 will depend on the production of soybeans and competing products in that year. Insofar as the various factors can be evaluated at the present time, it appears probable that the demand for soybeans late in 1938 will be about the same as, or slightly larger than, demand for the 1937 crop. Consequently, a production next year equal to, or only slightly larger than, the 1937 production would probably cause little change in the market situation for soybeans. But prospective demand conditions do not appear to warrant any marked expansion in production.

Acreage and Production

The 6,049,000 acres of soybeans grown alone for all purposes in the United States this year are 7.3 percent above the corresponding acreage last year, and larger than in any previous year with the exception of 1935. With practically all of this acreage increase occurring in the North Central States where commercial production of soybeans is most important, and with unusually high yields expected, production this year will show a much larger relative increase than total acreage.

After allowing for seed requirements, about 30 million bushels will be available for crushing in 1937-38. The quantity actually crushed will depend on too many factors to allow for an accurate estimate at the present time; but if exports from the current crop are small, at least 25 million bushels are likely to be crushed, which would equal crushings in 1935-36.

Elements in the Outlook

The outlook for soybeans in commercial channels, however, depends less on the supply of soybeans available for crushing than on supplies of competing products, the most important of which are cottonseed, flaxseed, and lard. Prices paid to growers of soybeans harvested for crushing depend largely on the prevailing prices of soybean meal and soybean oil, which in turn depend on general supply and demand conditions in their respective fields. Consequently the feed outlook and the fats and oils outlook are important elements in the outlook for soybeans.

The Feed Situation

Feedstuff prices during 1937-38 will be materially lower than last season, but may average slightly higher than in 1935-36. Although total supplies are considerably larger than 2 years ago, demand is stronger because of higher prices of livestock and livestock products. In the case of high-protein feeds, however, the substantial increase in supply may result in prices no higher than in 1935-36, despite the improved demand for both domestic consumption and export. Prices of soybean meal, therefore, will be materially below last season's prices, and may not greatly exceed those of 1935-36 when the average was around $25 per ton.

The Fats and Oils Situation

Since in 1935 and 1936, food products accounted for about four-fifths of the total factory consumption of soybean oil, the outlook for soybean oil will be similar to the general outlook for edible oils. Soybean-oil utilization in food products has been increased in recent years because of the relatively low lard supplies, with cottonseed, soybean, and other edible oils being used in increased quantities in the production of lard substitutes.

With lard supplies still relatively low, a fairly good market for soybean oil in food products will probably continue.

There is considerable uncertainty as to prospective demand for soybean oil in the drying-oil industries. Since soybean oil for use in paints is frequently mixed with tung or perilla oil, the possible shortage of tung oil due to hostilities in China, and the increased cost of perilla oil due to the excise tax and higher ocean transportation costs may tend to reduce soybean-oil utilization in the drying-oil industries. On the other hand, the price of linseed oil is now between 4 and 5 cents per pound higher than the price of soybean oil, and a continuance of this large price spread would tend to encourage the use of soybean oil as a substitute for linseed oil.

In the year beginning October 1935, prices of soybean oil averaged between 7 and 8 cents per pound, and in 1936-37 they averaged about 8.5 cents per pound. Although the expected low supplies of lard during 1937-38 will probably prevent any very sharp drop in the price of soybean oil, some decline is expected because of the increased production of cottonseed and soybeans; and prices of soybean oil may average slightly below the 1935-36 level.

The Foreign Situation

Exports of soybeans from the United States in past years have been small relative to total production, and have depended on sufficiently large supplies and low prices in this country to enable American exporters to

Imports of soybeans into European countries have declined steadily since 1933, largely because of drastic curtailments in German imports, and no marked increase in European purchases is probable in the near future. On the other hand, soybean production in Manchuria, the most important commercial producing country, has been increasing since 1934; and the latest information places this year's production at 157 million bushels compared with 152 million bushels for 1936. Movement of the Manchurian crop this year may be retarded somewhat because of lack of transportation facilities and higher costs of ocean shipping. In view of increasing production in Manchuria, however, it is not probable that prices in this country will be low enough to allow for a very large volume of exports from the 1937 crop in the United States.

Imports of soybean oil and meal into this country have been relatively small and are not likely to increase significantly.

The Price Outlook for Soybeans

With prices of soybean meal expected to be much lower, and prices of soybean oil somewhat lower than during the 1936-37 season, prices to growers for the 1937 soybean crop are likely to average considerably below the 1936 average of $1.27 per bushel. The fact that this year's production is expected to be about 12 percent below the 1935 production, however, will probably suffice to keep soybean prices a little above the 1935-36 level when the season average was 79 cents per bushel.

The outlook for the last part of 1938 is less certain, and will depend on production in that year of cottonseed, flaxseed, lard, and other products that are competitive with soybeans and soybean products, as well as on the 1938 production of soybeans. A marked reduction may occur in the 1938 production of cottonseed; but this is likely to be offset, to some extent at least, by increasing supplies of lard in the latter half of 1938. The lower prices that growers will receive for the 1937 production of soybeans will probably discourage any increase in the acreage of soybeans for crushing in 1938. If this proves to be the case, and production in 1938 is no larger than in 1937, the market situation will probably be similar to that for the 1937 crop.

Further expansion of commercial soybean production is feasible whenever price relationships are favorable. Many Corn Belt farmers with suitable land have not as yet introduced soybeans into their cropping systems, and others are growing soybeans only for hay. Present and prospective demand conditions, however, indicate that a material expansion in production in the immediate future would have an unfavorable reaction on price.

Table 5.-Soybeans: Production, exports, crushings, quantity used for feed or seed, and average farm price, 1924-37

Year beginning Oct.	Production	Crushed 1/	Exported 2/	Crushed or exported: Total	Crushed or exported: As percent of production	Used for feed or seed 3/	Average farm price per bushel
	1,000 bu.	1,000 bu.	1,000 bu.	1,000 bu.	Percent	1,000 bu.	Cents
1924	4,947	307	---	307	6.2	4,640	247
1925	4,875	351	---	351	7.2	4,524	234
1926	5,239	335	---	335	6.4	4,904	200
1927	6,938	559	---	559	8.1	6,379	183
1928	7,880	882	---	882	11.2	6,998	190
1929	9,398	1,666	---	1,666	17.7	7,732	187
1930	13,471	4,069	---	4,039	30.2	9,402	132
1931	16,733	4,725	2,161	6,886	41.2	9,847	48
1932	14,975	3,470	2,450	5,920	39.5	9,055	56
1933	13,147	3,054	----	3,054	23.2	10,093	98
1934	23,095	9,105	19	9,124	39.5	13,971	101
1935	44,378	25,181	3,490	28,671	64.6	15,707	79
1936	29,616	20,619	18	20,637	69.7	8,979	4/ 127
1937	38,997						

1/ Computed from Animal and Vegetable Fats and Oils, Bureau of the Census.

2/ No exports reported prior to October 1931. October 1931-December 1936, reported as inspected for export by Federal licensed inspectors, B.A.E. Inspection Service; general exports not reported for this period. Beginning January 1937, general exports as reported by Bureau of Foreign and Domestic Commerce.

3/ Production minus quantity crushed and exported.

4/ Preliminary.

Table 6.-Price of soybeans, soybean oil, and soybean meal, specified localities, by months, October 1934 - October 1937

Year and month	Soybeans, per bushel 1/		Soybean oil, crude 2/	Soybean meal, 41% protein 3/
	United States	Illinois	Midwestern mills, tanks, per pound	Chicago, bagged, per ton
	Cents	Cents	Cents	Dollars
1934-35				
Oct.	95	75	6.1	38.50
Nov.	89	80	6.3	38.80
Dec.	111	105	7.3	41.20
Jan.	119	110	7.8	40.70
Feb.	126	115	8.1	38.40
Mar.	120	105	9.1	37.10
Apr.	118	105	8.4	33.80
May	121	110	8.8	33.20
June	119	110	8.6	31.70
July	98	85	7.8	29.10
Aug.	73	60	7.1	24.00
Sept.	69	60	7.7	22.80
1935-36				
Oct.	68	60	8.1	25.60
Nov.	69	65	8.1	24.40
Dec.	72	70	8.1	25.50
Jan.	76	75	7.6	25.20
Feb.	77	75	7.2	23.90
Mar.	78	75	6.8	22.30
Apr.	78	75	6.8	23.30
May	83	80	6.3	24.80
June	85	80	6.0	26.10
July	105	100	7.9	38.90
Aug.	119	115	8.0	44.30
Sept.	110	105	8.2	39.70
1936-37				
Oct.	107	105	8.0	36.90
Nov.	112	110	8.0	39.20
Dec.	130	130	9.1	43.00
Jan.	142	140	9.8	44.10
Feb.	150	150	9.9	41.50
Mar.	152	145	9.8	41.10
Apr.	166	160	9.8	47.60
May	174	170	9.0	48.30
June	150	140	8.2	39.20
July	132	120	7.6	37.30
Aug.	102	90	6.5	34.90
Sept.	90	80	6.2	34.20
1937-38				
Oct.	86	80	5.8	28.82

1/ Weighted average price on 15th of each month.

2/ October 1934-June 1937, from the Oil, Paint, and Drug Reporter, average of quotations for Fridays during the month. Beginning July 1937, from National Provisioner, average of weekly quotations.

3/ Published in Crops and Markets, average of weekly prices.

THE PEANUT OUTLOOK FOR 1938
(Revised as of November 10 Crop Report)

Summary

Largely because of the peanut diversion program of the Agricultural Adjustment Administration, farmers are receiving relatively favorable prices and returns per acre for the large 1937 crop of peanuts harvested for nuts. These favorable returns may result in some increase in acreage in 1938, the Bureau of Agricultural Economics says in its annual peanut outlook report.

Unless yields are substantially below average, production of peanuts will again be large in 1938. The marketing situation in 1938-39 will again depend to an appreciable extent on the demand of peanuts for oil production.

The crushing outlet in the present season is unfavorable because of low prices for competing oils and fats, and an emergency measure providing for subsidy payments for the diversion of peanuts to crushers has been inaugerated.

Crushing Outlet is Less Favorable.

Peanut production has been at high levels during recent years and will be large again in 1937, according to November estimates. If it were not for the crushing outlet the large crops produced from 1934 to 1937, inclusive, could not have been marketed except at very low prices. The 1937 crop would bring relatively low prices but for the diversion program of the Agricultural Adjustment Administration.

The diversion program enables grower cooperatives to purchase farmers' stock peanuts of the various types and grades at specified prices as follows: No. 1 southeastern Runners $57.00 per ton; No. 1 southeastern Spanish and No. 3 or better Class A Virginias $65.00; and No. 1 southwestern Spanish $62.00 per ton. The farmer cooperatives may sell either to the edible trade or to crushers. The specified prices are materially higher than could be paid by crushers, and sales to this outlet are expected to be substantially below the purchase price, but the cooperatives will be reimbursed for these losses.

Before the 1934-35 season, peanut crushings were not important except during the World War period, and consisted largely of low-grade peanuts. The relatively small cotton crops of 1934, 1935, and 1936 and the droughts which reduced supplies of feed grains and hog marketings in this period, were reflected in reduced supplies of oils and fats and in materially improved prices for peanut oil. These improved prices for oil, together with the diversion programs for 1934-35 and 1935-36 resulted in materially increased crushings of peanuts for oil. The large crushings for oil in 1936-37 of about 296,000,000 pounds were due to high prices for peanut oil and meal and the comparatively low quality of the 1936 crop of Spanish-type peanuts.

General Situation 1937-38 Season

The acreage of peanuts harvested for nuts in 1937, according to September indications, was 4 percent below the record 1936 acreage but it was about 15 percent above the 1928-32 average. The estimated yield per acre in 1937 is above average and the November indicated production of 1,277,130 pounds is only about 3 percent less than the record crop of 1935, and 34 percent above the average 1928-32 production.

In Virginia, North Carolina, and Tennessee, where Virginia-type or large podded nuts are principally grown, production in 1937 is estimated at about 9 percent above 1936. Carry-over of old-crop Virginia-type peanuts into the current season is small although somewhat larger than in other recent years. Owing to the relatively small oil content of Virginia-type nuts, crushings are expected to be small and largely confined to the lower grades.

In the southeastern States where both Runner and Spanish-type nuts are grown, production in 1937, according to November estimates, will be about 6 percent below the record 1936 crop, but about 64 percent above the 1928-32 average. It is expected that a considerable quantity of peanuts, especially Runners, will be crushed as a result of the diversion program.

In the southwestern States where Spanish-type peanuts are grown, acreage in 1937, according to September estimates, was about 16 percent less than in 1936 and the smallest since 1931. The indicated 1937 yield is slightly higher than the low 1936 yield but the indicated production is about 10 percent below that in 1936 and about 11 percent below the 1928-32 average.

Table 7.- Peanuts: Harvested for nuts, crushings, and average price for farmers' stock peanuts, crude peanut oil, and peanut meal, average 1928-32, annual 1932-37

Year	Crop year	Year beginning October				
		Peanuts			Peanut oil, crude	Peanut meal 45% protein
		Crushed		Farm price per pound for farmers' stock		
	Peanuts harvested for nuts 1/	Total 1/	As percent of production		Price per pound, fob S.E. mills	Price per ton, ton S.E. mills
	Mil. lb.	Mil. lb.	Percent	Cents	Cents	Dollars
Average- 1928-32	946	73	7.8	3.2	6.4	29.25
1932	1,041	65	6.3	1.5	4.1	19.03
1933	963	45	4.7	2.8	4.8	27.92
1934	1,123	220	19.6	3.3	9.3	28.08
1935	1,303	240	18.5	3.1	9.0	24.16
1936	1,301	295	22.7	3.2	9.2	35.69
1937	2/ 1,277			3/ 3.2	4/ 6.6	4/ 27.50

1/ In-the-shell basis.
2/ Preliminary estimate.
3/ Average price October 15, 1937.
4/ Average price for October 1937.

OLEOMARGARINE

For 15 years coconut oil was the most important single oil entering into the manufacture of oleomargarine; for 10 years it contributed more to the product than all other oils put together, in some years amounting to as much as 75 percent of the total fats used. But cottonseed oil has suddenly traded places with coconut oil, and during the first three-quarters of 1937 contributed 48.9 percent of the fats and oils used in oleomargarine, while coconut oil contributed 23.8 percent.

Even more striking is the total shift from foreign vegetable oils to domestic vegetable oils. In September 1937, domestic vegetable oils accounted for 61.3 percent of the total use of fats and oils in the industry, compared with 36.6 percent in September 1936, and an average of 33.2 percent for the 5 years 1931-35. Use of foreign vegetable oils dropped to 34.1 percent and animal fats and oils to 4.7 percent in September 1937.

In line with its increased use in other food products, the use of soybean oil in oleomargarine has increased sharply, amounting to 23.7 million pounds in the first 9 months of 1937, compared with 5.3 million pounds in the same period of 1936.

Production of oleomargarine thus far in 1937 is 10 million pounds under production for the same period in 1936.

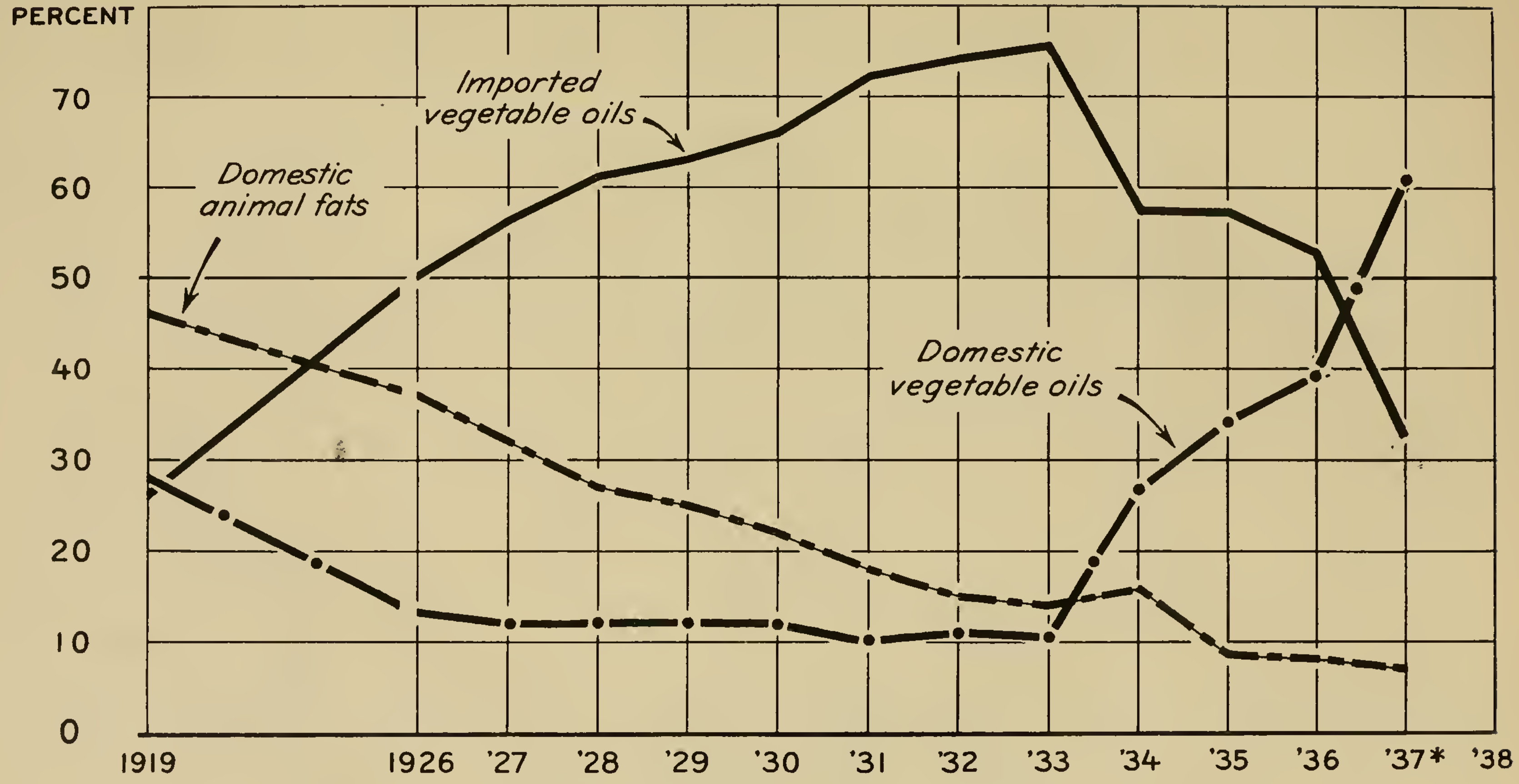
Table 8.-Oleomargarine: Production and materials used in manufacture, United States, August and September, 1936 and 1937

Item	1936 1/		1937 1/	
	Aug.	Sept.	Aug.	Sept.
	1,000 lb.	1,000 lb.	1,000 lb.	1,000 lb.
Oleo oil	1,583	1,435	754	764
Oleostearine	297	312	292	364
Lard, neutral	152	171	102	112
Oleo stock	144	151	86	94
Total animal	2,176	2,069	1,234	1,334
Cottonseed oil	7,608	9,080	10,027	13,282
Soybean oil	767	777	2,742	3,854
Peanut oil	322	391	137	215
Corn oil	179	17	236	142
Total domestic vegetable	8,876	10,265	13,142	17,493
Coconut oil	11,749	13,964	7,714	9,054
Palm-kernel oil	275	148	986	532
Babassu oil	1,985	1,167	523	157
Palm oil	62	137	13	-
Ouricuri oil	-	36	-	-
Sesame oil	4	3	-	-
Total foreign vegetable	14,075	15,455	9,236	9,743
Total fats and oils	25,127	27,789	23,612	28,570
Milk	5,847	6,357	5,254	6,411
Salt and other miscellaneous	1,614	1,797	1,325	1,662
Production of oleomargarine	30,351	35,943	28,679	36,643

1/ Preliminary.

Compiled and computed from reports of the Commissioner of Internal Revenue.

MATERIALS USED IN THE MANUFACTURE OF OLEOMARGARINE, 1919, AND 1926 TO DATE



* TOTAL FOR 8 MONTHS, JAN.-AUG. 1937

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FIGURE I

NET TRADE IN ANIMAL FATS, VEGETABLE OILS, AND OIL EQUIVALENT OF OIL SEEDS, 1912 TO DATE

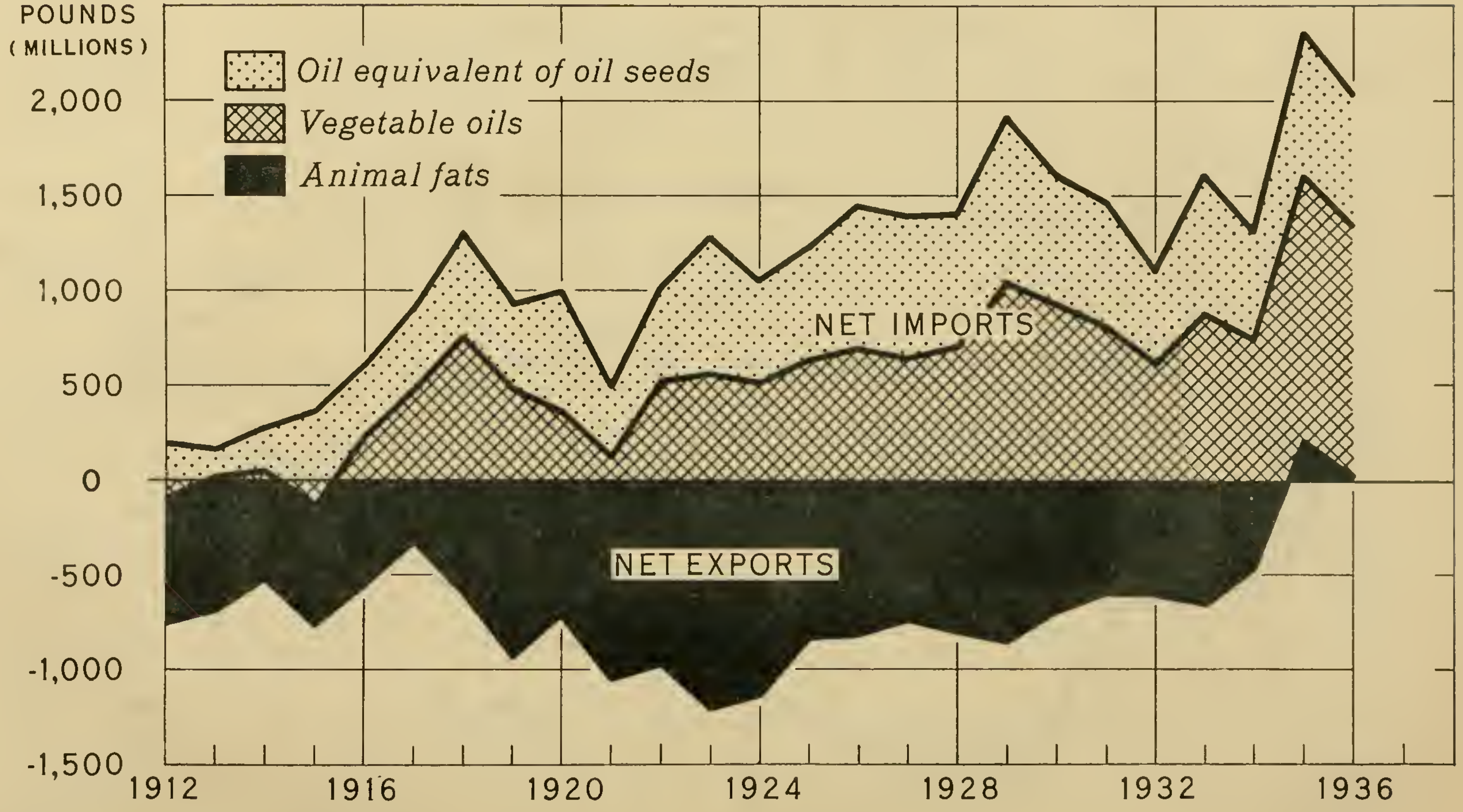

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FIGURE 2

UNIVERSITY OF FLORIDA
3 1262 08904 2302